QUARTERLY UPDATE TO THE LEGISLATURE

Transfer of the Drug Medi-Cal Treatment Program to the Department of Health Care Services

For the reporting Period
October through December 2012

Submitted by the Department of Health Care Services
In Partial Fulfillment of Requirements of
Welfare and Institutions Code, Section 14021.30(d)

DRUG MEDI-CAL (DMC) TREATMENT PROGRAM TRANSFER

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I. Background

The Department of Health Care Services (DHCS) is the single state agency for the administration of the Medicaid program, called Medi-Cal in California; however, California has historically delegated the administration of several components of the Medi-Cal program to other departments. Along with its administration of various substance use disorder programs, the Department of Alcohol and Drug Programs (DADP) administered the Drug Medi-Cal (DMC) Treatment Program. As part of the Fiscal Year (FY) 2011-12 budget process, Governor Brown signed Assembly Bill (AB) 106 (Committee on Budget, Chapter 32, Statutes of 2011), which enacted law to transfer the administration of the DMC Treatment Program from DADP to DHCS, effective July 1, 2012. In compliance with the law, DHCS submitted an administrative and programmatic transition plan to the fiscal and applicable policy committees of the Legislature.

II. Purpose of the Update

Senate Bill 1014 (Committee on Budget and Fiscal Review, Chapter 36, Statutes of 2012); Welfare and Institutions Code, Section 14021.30(d), signed by Governor Brown on June 27, 2012, directs DHCS to provide quarterly updates to the Legislature, stakeholders, and the public on the transfer of the DMC Treatment Program. The update includes areas of concern and provides an up-to-date picture of the successes and challenges DHCS currently faces in administering the program. This update provides information through mid-December 2012.

III. Stakeholder Engagement

DHCS continues to use existing forums such as County Alcohol and Drug Program Administrators' Association of California (CADPAAC) meetings, monthly CADPAAC Executive Committee meetings, the DADP Director's Advisory Committee, and other forums to solicit and discuss stakeholder recommendations and concerns about the DMC Treatment Program. DHCS is also participating and bringing DMC Treatment Program issues to other county service organizations such as the California State Association of Counties (CSAC), and the California Mental Health Directors Association (CMHDA). DHCS has also met with provider groups and associations and has agreed to have regular check-in meetings to facilitate ongoing communication.

DHCS held a DMC Treatment Program stakeholders' meeting on October 9, 2012. The meeting focused on reviewing and discussing previously suggested improvements obtained during the 2010-11 transition process and additional recommendations. Prior to the meeting, DHCS provided stakeholders with a summary of previously suggested program improvements (see Attachment A). Stakeholders who were unable to attend the meeting were encouraged to provide input through a regularly monitored email address. DHCS informed stakeholders of interest in program improvements that would enhance the service delivery system, provide for up-to-date comprehensive substance

use services and create greater access to eligible individuals for DMC Treatment Program services. The broad list of stakeholder recommendations includes an array of improvements and enhancements. DHCS will survey stakeholders to help determine which recommendations have the highest priority and remains committed to stakeholder involvement in program improvement processes. Stakeholder meetings will continue in 2013.

IV. Contracts

DHCS, in cooperation with DADP, issued amendments to create three-party contracts between DHCS, DADP, and counties or direct-service providers for FY 2012-13 in an effort to reduce delays and potential interruption in services. The State issued three-party amendments to multi-year contracts on June 12, 2012. As of mid-December 2012, all 45 county contracts and all 16 direct-service provider contracts are fully executed and processed.

DHCS is preparing updated contract boilerplate language for DMC certified, direct-service providers who seek a contract to provide DMC Treatment Program services but cannot get one from the county in which the provider conducts business.

DHCS will begin working in early 2013 on updated contract boilerplate language and supporting documents for new contracts for FY 2013-14.

V. Claims & Payments

DHCS' Information Technology Services Division (ITSD) is responsible for migrating DADP's accounting system, the Short-Doyle Medi-Cal Application Remediation Technology, referred to as SMART. The migration has been successful; however, there were some initial delays in processing payments during the first quarter of FY 2012-13. These issues are now resolved, and all FY 2012-13 payments are current. There has been no reported negative impact on providers' ability to submit claims through the Short-Doyle Medi-Cal system since the transfer.

Currently, the Short-Doyle Medi-Cal claims payment system is not issuing the Health Care Claim/Payment (835) remittance advices in specific circumstances. The remittance advices help counties reconcile the payments they receive from the State with the claims they submitted to the State. The lack of an 835 occurs for claims with an offset of funds, duplicate approved claims, etc. Failure to receive 835s can cause problems for counties and direct-service providers, as they are then unable to access claim status and make needed corrections. This can result in either an overpayment of funds or underpayment of funds. ITSD and DMC Fiscal Management and Accountability Branch staff resolved some of the issues and have released some of the

missing 835s. They continue to work together for solutions that will result in the issuance of all 835s.

DHCS has several direct-service provider contracts, which it pays directly and then must invoice counties for the non-federal share. DHCS began invoicing counties for their share of county Realignment funds in October 2012 and has, to date, successfully recouped almost ninety-five percent of invoiced dollars.

There are direct-service providers with contracts that expired on June 30, 2012, which have submitted claims for FY 2011-12 services that the State has not yet paid. These contracts were with DADP, which must therefore provide the payment. DHCS has modified the SMART system to assist DADP in making the payments. DADP issued invoices to counties on December 27, 2012, and payments to providers will occur upon receipt of payment from the county.

VI. Cost Reports

Counties use the Paradox application to submit cost data that DHCS and DADP use to settle cost reports. This system supports the DMC Treatment Program and non-DMC alcohol and drug programs administered by DADP. To ensure no interruption of services to contractors, and to allow finalization of cost reporting activities for FY 2010-11 and FY 2011-12, work on the Paradox system migration will begin in March 2013. Currently, the DHCS migration team continues to look into different “lift and shift” options to minimize impact to users.

FY 2010-11 Cost Reports

DHCS and DADP staff will continue to conduct all cost report activities as part of a mutual agreement between the departments. DHCS has supported these joint efforts by allowing currently designated DHCS employees to assist with processing final cost reports for FY 2010-11. The result of these joint efforts is the settlement of 55 of 56 county FY 2010-11 cost reports and 60 of 64 direct-service provider contracts for FY 2010-11 cost reports as of mid-December 2012.

For direct-service providers that no longer have a contract with DADP/DHCS, the DHCS and DADP accounting offices are working together to develop a timeline for scheduling payments resulting from the FY 2010-11 cost report settlements.

FY 2011-12 Cost Reports

DHCS and DADP delayed issuing the cost report Paradox application due to issues with programming and staffing. The cost reports are typically due November 1 of each fiscal year. However, due to delay, DHCS extended the due date to December 3, 2012, for FY 2011-12 cost reports. DHCS has issued hard copy reporting and instructional documents to the counties and finalized the Paradox application for FY 2011-12. DHCS finalized the direct-service provider cost reporting and instructional documents and

issued them at the beginning of November 2012. Currently, 50 of 56 county and 21 of 29 direct-service provider FY 2011-12 costs reports have been received. DHCS and DADP continue to work with remaining counties and direct-service providers to assist in submission of their cost reports.

VII. DMC Certification and Provider Information

The DMC certification process includes application review, tracking, site visit, approval or denial, and issuance of DMC certification documents. DHCS must complete the certification process within 180 days from application. The DMC Certification Unit has an on-time completion rate greater than 98 percent. Currently, there are 80 DMC certification applications in process.

DHCS' DMC Certification unit is addressing the problems associated with slower certification processing. Additional steps in processing applications are the result of processes requiring DHCS staff access to DADP systems, network, and documentation. The certification unit has been working with DADP's ITSD to resolve the issues. DHCS expects full resolution by the end of January 2013.

DHCS utilizes the Provider Registry Information Management Enterprise system for tracking DMC Treatment Program providers. The system transferred without problem and DHCS continues to update the system with any identified changes to current DMC Treatment Program providers and as new providers become certified.

VIII. Post-service Post-payment

The Post-Service Post-Payment (PSPP) Unit is responsible for conducting post-service post-payment utilization reviews of DMC services. Reviews include verification that beneficiaries meet admission criteria and that beneficiary files include required documentation. The unit also provides technical assistance and training to DMC providers and county staff.

The PSPP continues to focus its reviews on programs that have never been visited or have not been visited in recent years. This focus has been an opportunity to determine areas of deficiency at the provider level and provide technical assistance.

The PSPP unit is currently reassessing its business processes to improve the efficiency, effectiveness, and consistency of the unit's work. The unit is also working to ensure appropriate documentation of all critical business processes.

IX. State Plan Amendment

DHCS began working on a State Plan Amendment (SPA) in January 2012 in anticipation of the transfer of the DMC Treatment Program. DHCS determined, in consultation with the Centers for Medicare & Medicaid Services (CMS), that a SPA is needed to acknowledge the change in program administration and to update the State Plan accordingly. Although the DMC program has been in existence since 1980, this is very much like a new program to CMS, and there have been extensive discussions between DHCS and CMS to ensure a full and complete understanding of the program. These conversations resulted in a CMS request to clarify and update some of the DMC narrative in the State Plan.

DHCS formally submitted SPA 12-005 to CMS at the end of September 2012. DHCS held a teleconference with county representatives to confirm the content of the SPA and to assure that it did not create any new county responsibilities. CMS approved the SPA on December 20, 2012, with an effective date of July 1, 2012.

X. Healthy Families Transition

As part of the Governor's 2012-13 Budget, Healthy Families Program (HFP) subscribers will transition to the Medi-Cal program[1]. On December 31, 2012, DHCS received CMS approval of this transition via an amendment to the 1115 Bridge to Reform Waiver. The transition will be completed in four phases between January 1, and December 31, 2013. Of the approximately 860,000 HFP subscribers that will be part of the transition, less than one percent receives treatment for substance use disorders (SUD)[2].

DHCS is collecting information from the HFP plans to ascertain how many HFP participants may be referred for alcohol and drug treatment services, most of which will be provided through the DMC Treatment Program. For the eight counties included in Phase 1 A[3], DHCS has reached out to each of the county alcohol and drug program administrators to confirm their capacity to provide SUD services for the transitioning beneficiaries, and to facilitate their referrals from the HFP providers to the counties. In addition to reaching out to the individual counties, DHCS is working with CADPAAC to exchange information on the transition and its implementation, identify concerns, resolve problems and assist each county's readiness for the transition. Participation in CADPAAC's weekly calls is mandatory for all County Alcohol and Drug Program Administrators making it the ideal forum for coordinating the transition.

[1] Assembly Bill (AB) 1494, (Committee on Budget, Chapter 28, Statutes of 2012)

[2] 2011 HFP Healthcare Effectiveness Data and Information Set Report, November 2012

[3] Phase 1 A includes: Alameda, Orange, Riverside, San Bernardino, San Francisco, Santa Clara, and San Mateo counties

The November 1, 2012, Update of the HFP Transition to Medi-Cal Strategic Plan/Phase I Implementation Plan indicates the State will provide notices to children and their families regarding the transition. These notices include a frequently asked question (FAQ) document that contains sections addressing SUD treatment services. To review the HFP Transition Strategic Plan, updates, notices and FAQs, click here or visit the DHCS website at the following address:
http://www.dhcs.ca.gov/services/Pages/HealthyFamiliesTransition.aspx
DHCS has committed to activities to monitor the HFP transition and enhance SUD services, including:

1) biweekly conference calls with the county alcohol and drug program administrators to identify potential issues and share lessons learned from each phase of the transition,
2) coordination with DADP and Medi-Cal's complaint hotlines, and
3) behavioral health stakeholder meetings in coordination with the California Health and Human Services Agency for providers, parents, alcohol and other drug program administrators, and representatives of various State agencies to exchange information, identify issues, and assist in development and implementation of resolutions.

Summary of Stakeholder Comments
Addressing the Drug Medi-Cal Treatment Program

Through various stakeholder meetings, the Department of Health Care Services (DHCS) and the Department of Alcohol and Drug Programs (DADP) received input regarding the transfer of the Drug Medi-Cal (DMC) Treatment Program, including desired improvements. Stakeholders included county program administrators, treatment providers, trade associations, professional groups and interested individuals. Beyond the specific concerns and recommendations listed below, stakeholders repeatedly stressed ensuring that substance use disorder (SUD) drug programs remain a high priority within the Administration with adequate representation and resources to serve communities.

The following is a summary of the input provided from stakeholders. Please see the DHCS website at www.dhcs.ca.gov or click here, for a complete listing of comments received by DHCS. Additionally, please check the DADP website at www.adp.ca.gov or click here, for comments they received during their stakeholder processes.

Expansion of Services

- Expand the types of services reimbursable by DMC Treatment Program.
    - Broaden Medication Assisted Treatment options
    - Increase flexibility regarding the number of clients permitted in group counseling sessions that may be billed to Medi-Cal
    - Permit all SUD clients to utilize residential treatment options
    - Reimburse two treatments in one day
    - Encourage the use of the social model (as opposed to a medical model) of treatment
    - Reimburse for:
        - Counseling of family members
        - Drug testing
        - HIV & Hepatitis testing
        - Greater collaboration of treatments for those clients with co-occurring disorders
- Adopt Medicaid's Rehabilitative Service Option for SUD treatment.
- Provide SUD services under Medi-Cal's managed care option.

Billing

- Streamline the billing process.
- Conform DMC Treatment Program billing to that of Medi-Cal specialty mental health services.
- Allow more time to submit claims.
- Clarify policies regarding Minor Consent[4], and dual eligible[5] clients
- Accept credit card payments for narcotic treatment program (NTP) slot fees.

[4] Minor Consent is a state program that provides certain health care services to individuals under the age of 18 without those individuals' parents or guardians consent. (Cal. Family Code 6929)

[5] Dual eligibility refers to those enrolled in Medicare and Medi-Cal.

Summary of Stakeholder Comments
Addressing the Drug Medi-Cal Treatment Program

Rate Setting
- Keep the establishment of rates as a state-level function to prevent disparate rates amongst the counties.
- Increase the reimbursement rates.

Regulations
- Update the regulations covering DMC Treatment Program.
- Eliminate Title 22 (DMC) & Title 9 (NTP) regulations and defer to federal regulations.

DMC Certification
- Streamline the certification process.
- Substitute either national or Commission on Accreditation of Rehabilitation Facilities for provider certification.

Adjudication of Denials of Payments
- Improve the timing and transparency of claims denials.

Cost Reports
- Eliminate cost reports.

Stakeholder Questions
- How will the transfer of the DMC Treatment Program to DHCS, and the realignment of SUD responsibilities to counties, affect those counties who do not currently participate in the DMC program?
- How will DHCS address cultural competency (specifically Native Americans)?
- What technical support can DHCS provide to help SUD treatment providers meet Health Care Reform requirements that will go into effect in 2014 (i.e., electronic health records)?
- Is DHCS considering any new federal waivers for SUD services?